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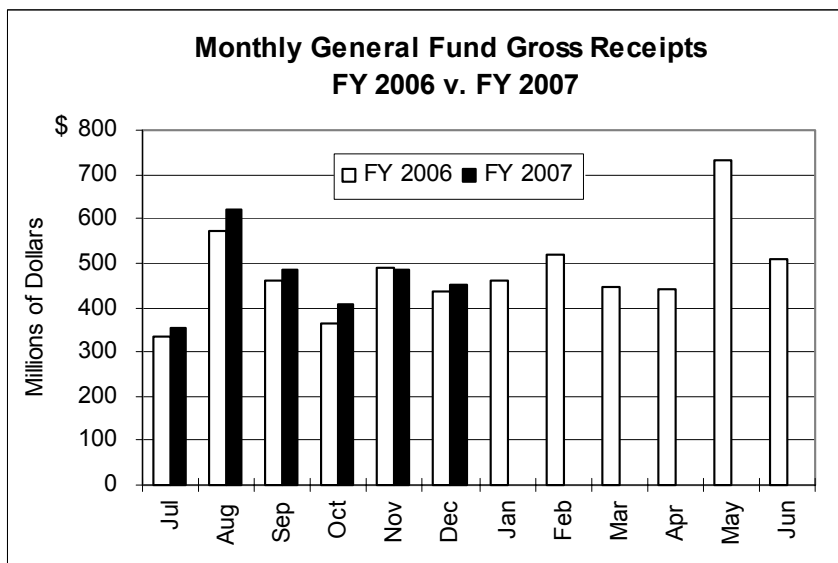
ADMINISTRATIVE SERVICES  
 TIMOTHY C. FALLER

## MEMORANDUM

TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives  
 FROM: Dennis C. Prouty  
 DATE: January 2, 2007

### Monthly General Fund Receipts through December 31, 2006

The attached spreadsheet presents year-to-date FY 2007 General Fund receipts, with comparable figures for actual FY 2006. The figures can be compared to the FY 2007 estimate of \$6.056 billion set by the Revenue Estimating Conference (REC) on December 12, 2006. The FY 2007 estimate is an increase of \$284.9 million (4.9%) compared to actual FY 2006 gross cash receipts (excludes refunds, transfers, and accrued revenue changes). The next REC meeting has not been scheduled.



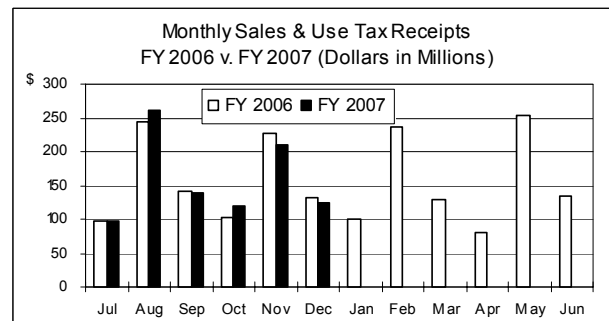
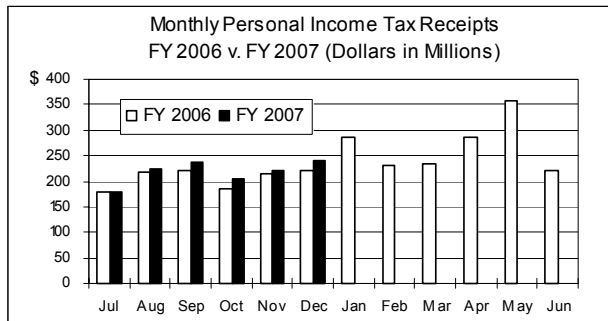
### FY 2007 Compared to FY 2006

Fiscal year to date, total gross cash receipts increased \$143.8 million (5.4%) compared to FY 2006. Major revenue sources contributing to the change include:

- Personal income tax (positive \$68.5 million, 5.5%)
- Sales/use tax (positive \$7.1 million, 0.8%)
- Corporate tax (positive \$56.8 million, 42.1%)
- Other taxes (positive \$9.1 million, 5.8%)
- Other receipts (positive \$2.2 million, 1.2%)

**Personal income tax** revenues received in December totaled \$240.1 million, an increase of \$20.2 million (9.2%) compared to December 2005. Withholding tax receipts were up \$30.5 million (16.8%) for the month of December. Approximately 40.0% of the increase was due to a tax due date issue that will be reversed in (and negatively impact) January.

The FY 2007 REC income tax estimate of \$3.027 billion represents a projected increase of 6.1% compared to actual FY 2006. Year-to-date, total income tax receipts have increased 5.5%. By subcategory, withholding tax payments increased 5.9%, income tax estimate payments increased 3.0%, while payments with returns increased 1.7%. The following chart compares FY 2007 monthly personal income tax receipts from the three personal income tax subcategories with FY 2006.



**Sales/use tax** receipts received in December totaled \$124.7 million, a decrease of \$7.9 million (- 6.0%) compared to December 2005. December receipts were negatively impacted by an increase in local option tax transfers (sales and hotel/motel tax). Local option tax revenue is first deposited to the State General Fund. Near the end of each month, a large transfer is made out of the General Fund. The monthly transfers are made on an estimated basis. This year's December transfer equaled \$55.8 million while last year's December transfer equaled \$48.2 million. This same issue is expected to negatively impact FY 2007 sales/use tax year-over-year comparisons for the remainder of the fiscal year. Without the adjustment, sales/use tax revenue would have decreased modestly for the month.

The REC estimate for FY 2007 sales/use tax receipts is \$1.932 billion, an increase of 2.7% compared to actual FY 2006. Fiscal year-to-date, sales/use tax receipts increased 0.8%. The preceding chart compares FY 2007 monthly sales tax receipts with FY 2006.

**Corporate tax** receipts received in December totaled \$46.9 million, a \$12.7 million increase (37.1%) compared to December 2005. Corporate tax receipts have shown strong growth since December 2003.

The REC estimate for FY 2007 corporate tax revenue is \$433.3 million, an increase of 24.3% compared to actual FY 2006. Year-to-date, corporate tax revenue has increased 42.1%.

**Other tax** receipts received in December totaled \$17.8 million, a \$0.3 million decrease (- 1.7%) compared to December 2005. Franchise, cigarette, and tobacco tax receipts were down for the month, while inheritance tax receipts increased modestly.

The REC estimate for FY 2007 receipts from other taxes is \$332.5 million, a decrease of 3.2% compared to actual FY 2006. Year-to-date, other tax receipts have increased 5.8%. Revenue from

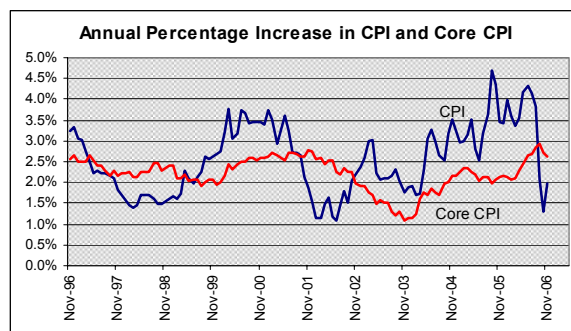
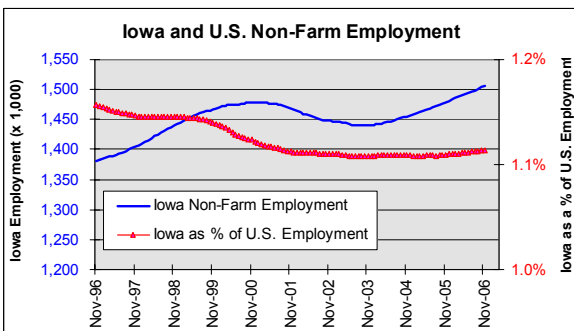
other taxes will decrease in March and June when the next two insurance premium tax payments are due.

**Other receipts** (non-tax receipts) received in December totaled \$21.6 million, a \$10.9 million decrease (- 33.5%) compared to December 2005. The decrease was related to transfers from the Unclaimed Property Fund. The REC estimate for FY 2007 other receipt revenue is \$330.9 million, a decrease of 3.6% compared to actual FY 2006. Year-to-date, other receipts have increased 1.2%.

### Status of the Economy

Iowa non-farm employment was reported at 1,535,700 for the month of November (not seasonally adjusted), 26,900 higher (1.8%) than November 2005.

The 12-month Iowa moving average employment is presented in a graph below. The Iowa non-farm employment (12-month average) pre-recession peak was January 2001 (1,478,700), and the recession low was August 2003 (1,439,900). The current 12-month average reading is now 1,505,700, so annualized Iowa non-farm employment is roughly 27,000 above its 2001 peak and 65,600 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1996 through 2003, but has increased modestly over the past three years.



Consumer prices decreased 0.1% during the month of November (not seasonally adjusted). The Consumer Price Index (CPI-U) through November 2006 was 201.5 (1983/84=100), 2.0% higher than one year ago. The recent drop in year-over-year inflation is attributed to a significant decrease in oil prices.

Core CPI, an inflation measure that excludes food and energy prices, decreased 0.1% during November and the year-over-year change was 2.6%. The core inflation rate generally declined from the early 1990's through March 2006. Since March, the rate of core CPI growth has noticeably accelerated.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2006 vs. FY 2007 July 1 through December 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 06 Actual Compared to FY 07 REC Estimate		
	FY 2006	FY 2007	Year to Date % Change	December % Change	Actual FY 2006	Estimate FY 2007	Projected % Change
Personal Income Tax	\$ 1,238.3	\$ 1,306.8	5.5%	9.2%	\$ 2,854.2	\$ 3,027.0	6.1%
Sales/Use Tax	946.3	953.4	0.8%	-6.0%	1,881.1	1,931.9	2.7%
Corporate Income Tax	134.9	191.7	42.1%	37.1%	348.6	433.3	24.3%
Inheritance Tax	36.2	36.4	0.6%	3.9%	73.1	74.4	1.8%
Insurance Premium Tax	49.0	60.5	23.5%	0.0%	121.4	110.0	-9.4%
Cigarette Tax	45.1	44.3	-1.8%	-1.4%	89.5	89.5	0.0%
Tobacco Tax	4.5	4.3	-4.4%	-85.7%	9.2	9.7	5.4%
Beer Tax	7.5	7.6	1.3%	9.1%	14.2	14.5	2.1%
Franchise Tax	15.3	13.8	-9.8%	-11.1%	35.5	33.4	-5.9%
Miscellaneous Tax	0.5	0.3	-40.0%	100.0%	0.6	1.0	66.7%
Total Special Taxes	\$ 2,477.5	\$ 2,619.1	5.7%	6.1%	\$ 5,427.4	\$ 5,724.7	5.5%
Institutional Payments	6.4	5.9	-7.8%	0.0%	13.0	12.6	-3.1%
Liquor Profits	26.3	27.3	3.8%	0.0%	63.8	65.8	3.1%
Interest	8.6	15.0	74.4%	30.0%	17.5	23.3	33.1%
Fees	31.6	35.2	11.4%	-14.9%	76.2	69.1	-9.3%
Judicial Revenue	22.8	28.5	25.0%	6.3%	63.1	64.3	1.9%
Miscellaneous Receipts	27.0	13.0	-51.9%	-87.1%	49.7	35.8	-28.0%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 2,660.2	\$ 2,804.0	5.4%	3.2%	\$ 5,770.7	\$ 6,055.6	4.9%